



STATE OF DELAWARE

PUBLIC SERVICE COMMISSION

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MEMORANDUM

TO: The Chairman and Members of the Commission

FROM: Lisa B. Driggins, Public Utilities Analyst

A handwritten signature in black ink, appearing to be "LBD", enclosed in a hand-drawn oval.

DATE: July 12, 2017

SUBJECT: IN THE MATTER OF THE APPLICATION OF GTT PIVOTAL, LLC
D/B/A GLOBAL CAPACITY FOR THE APPROVAL FOR GC
PIVOTAL TO PARTICIPATE IN CERTAIN FINANCING
ARRANGEMENT.
(FILED JULY 6, 2017) - DOCKET- NO. 17-0489

Application:

On July 6, 2017, pursuant to 26 *Del. C.* § 215 and the rules of the Delaware Public Service Commission ("PSC" or "Commission"), GTT Americas, LLC ("Transferee" or "GTТА") and GC Pivotal, LLC d/b/a Global Capacity ("Global Capacity") (together, the "Applicants"), filed an application (the "Application") requesting the Commission's approval for Global Capacity to participate in certain Financing Arrangements in an aggregate amount up to \$2 billion.

Applicants:

GTT Americas, LLC and GTT Communications, Inc.

GTТА is a Delaware limited liability company and direct, wholly owned subsidiary of GTT Parent, a Delaware corporation. GTT Parent and GTТА have headquarters at 7900 Tysons One Place, Suite 1450, McLean, Virginia 22102. GTT Parent, through its subsidiaries including GTТА (collectively "GTT"), is a global provider of cloud networking services. GTТА provides regulated and non-regulated interstate and international communications services to customers throughout the United States. GTТА is authorized to provide intrastate telecommunications services in California and New York. GTТА also holds authority from the Federal Communications Commission ("FCC") to provide interstate and international telecommunications services.

GC Pivotal, LLC and Pivotal Global Capacity, LLC

Global Capacity is a Delaware limited liability company with headquarters at 265 Winter Street, Waltham, Massachusetts 02451. Global Capacity, through its One Marketplace, brings together customers and suppliers in an automated platform that provides widespread access network solutions aiming to deliver on its brand promise - Connectivity Made Simple. One Marketplace provides simple, cost-effective, high-performance network solutions that support the exploding bandwidth requirements driven by Cloud, mobility, and globalization. Global Capacity delivers its solutions to telecommunication carriers, managed service providers, application service providers, and enterprise customers globally. In Delaware, Global Capacity is authorized to provide competitive local exchange and intrastate telecommunications services pursuant to Order No. 7957 issued in PSC Docket No. 11-141.

Global Capacity is a direct, wholly owned subsidiary of Pivotal Global Capacity, LLC (“Transferor”), an Arizona limited liability company. Transferor is a portfolio company of Pivotal Group, a leading investment corporation which concentrates on private equity and real estate investments. Transferor does not offer any regulated telecommunications services.

Financing Arrangement

Applicants seek approval for Global Capacity to participate in new, amended, or restated financing arrangement in an aggregate amount up to \$2 million (the “Financing Arrangements”), which amount includes GTT’s existing long-term debt. GTT expects that the financing arrangements may include one or more of the following debt instruments: notes or debentures; conventional credit facilities, such as revolving credit facilities and term loans; letters of credit; bridge loans; or a combination of all of these. Applicants further request approval of the Financing Arrangement with a maturity up to ten years after issuance or amendment, depending on the type of facility, with interest rate(s) based on then-current market conditions. Borrower and its subsidiaries are expected to be required to pledge their assets as security for some or all of the new financing arrangements and may be required to pledge their assets as security for some or all of any amended or future financing arrangements. The Financing Arrangements may be used for acquisitions, refinancing of current debt, working capital requirements, and general corporate purposes.

Public Interest:

The Applicants assert that the public interest will be served and that the transaction is in accordance with the law and is for a proper purpose. According to Applicants, the proposed transaction will serve the public interest by enhancing GTT’s ability to use debt financing for some or all of the Transaction’s consideration. The Financing Agreement also will provide GTT access to greater financial resources, allowing allow GTT, including Global Capacity, to become more effective competitors in the communications industry. The Financing Arrangement may be used to: (a) fund some or all of the purchase price for future acquisitions; (b) support strategic growth initiatives, (c) provide for ongoing working capital; and (d) and finance general

corporate purposes. Furthermore, the Transaction will be transparent to Global Capacity's customers and will not disrupt service or cause customer confusion or inconvenience.

Staff's Recommendation:

Applications seeking financing approval by large multi-state resellers of competitive intrastate telecommunications services technically lie within the provisions of 26 *Del. C.* § 215 because the companies are deemed to be public utilities. In addition, the Applicants have represented that the financing proposal is in accordance with law, for a proper purpose, and consistent with the public interest. The Commission previously allowed such applications to become effective via statutory approval without Commission action. The result appears appropriate under these circumstances. Staff, therefore, recommends that the Commission not act on this application. Under 26 *Del. C.* § 215(d), the effect will be Commission's deeming the application approved. Staff will also acquire verification from the Applicant that the proposed financing arrangements have been completed.